

Additional Views of the Honorable David R. Obey and the Honorable John W. Olver

Several factors contributed to a number of serious problems in the fiscal year 2006 Transportation, Treasury, HUD, Judiciary, District of Columbia, and Independent Agencies Committee reported bill.

President's Budget Was Inadequate

The President's budget request inadequately funded numerous agencies. The Community Development Block Grant (CDBG) program, the Community Development Financial Institutions (CDFI) fund, and the High Intensity Drug Trafficking Agencies (HIDTA) program were all significantly under funded and proposed for transfer to other Departments. Amtrak was zeroed out creating a nearly \$900 million reduction from the FY05 enacted level. His budget also featured hundreds of millions of dollars of fee increases and rescissions for which the Subcommittee also had to find funding.

Subcommittee Allocation Was Also Inadequate

Although the Subcommittee's 302(b) allocation addressed some of the shortfalls and gimmicks, overall budget constraints kept the Appropriations Committee from fully making the Subcommittee whole. The overall lack of funds to address national needs such as Amtrak and community development is the direct result of the Majority's 2006 Budget Resolution. As the Majority Leader pointed out:

"This is the budget that the American people voted for when they returned a Republican House, a Republican Senate and a Republican White House last November."

Based on the Majority Leader's logic, the American people voted to kill Amtrak, to cut CDBG and to terminate the HOPE VI, Youthbuild and Brownfields initiatives at the Department of Housing and Urban Development.

Committee Reorganization Led to Difficult Tradeoffs

Under the reorganization proposal mandated by the Republican Leadership, a number of unrelated priorities are now grouped together in this bill. Instead of simplifying the process, as the Republican Leadership claimed it would, this reorganization created a bill that is made up of several disparate parts without any common theme among them. Departments and agencies that were key components of five separate Subcommittees as recently as three years ago have now been lumped together into a single bill. This structure inevitably leads to trade-offs among programs that will harm some agencies at the benefit of others. The Transportation, Treasury, HUD, the Judiciary, District of Columbia and Independent Agencies reported bill has essentially become an Omnibus bill.

The Committee's reorganization placed this Subcommittee in the unenviable position of having to decide between funding transportation or housing programs, between funding for the judicial branch or funding for the White House, between funding for tax law compliance or election

assistance. All are serious national responsibilities that we are obligated to meet. They will not all be met by this bill.

Unfortunately, in their vote on the budget resolution earlier this year, the Majority decided that super-sized tax cuts for millionaires are more important than properly funding these priorities. As a result, Amtrak as well as several HUD programs are zeroed out or significantly underfunded.

The Committee Bill Will Shut Down Amtrak

National passenger rail as we know it will cease to exist if this bill becomes law.

Taken at face value, the Majority's proposal will shut down nearly half of the routes that Amtrak operates and deny more than 20 states of Amtrak service. We believe, however, that it will be impossible for Amtrak to continue to operate even a limited number of routes under the funding levels and terms of this bill.

If one were to play out what will happen if this Amtrak proposal is enacted, Amtrak will be placed in such a financial bind that it will terminate all intercity passenger rail service, including the Northeast Corridor. It will even have a ripple effect of disrupting commuter and freight rail services throughout the country.

The Majority's calculations with respect to the eighteen routes that would remain are overly optimistic. The \$550 million provided is insufficient to maintain even a limited level of service. Of this amount, the bill sets forth \$500 million for operating costs and \$50 million for capital.

Fiscal year 2006 operating expenses cannot be covered for \$500 million – even if Amtrak only operates a reduced number of routes. The closure of some routes would result in the layoff of thousands of Amtrak workers. First year severance obligations to these employees would total as much as \$300 million or more and severance costs would continue for several years. After mandatory debt service payments of \$275 million to \$287 million and mandatory labor payments of \$300 million or more are made, no funds would be available to operate even a few routes and no funds would be available to invest in sorely needed capital upgrades.

The \$50 million set aside for Northeast Corridor capital projects is also wholly inadequate. The amount provided in the bill is less than ten percent of Amtrak's fiscal year 2006 capital grant request of \$787 million. It is also insufficient for covering mandatory life safety expenditures including work on the Penn Station tunnels and repairs on high-speed tracks required by Federal Railroad Administration track safety regulations. Under this bill, the Northeast Corridor would remain in a state of disrepair and Amtrak would continue to be vulnerable to a bridge or tunnel failure that could have catastrophic effects for Amtrak, commuter rail and freight rail operations throughout the Northeast.

The Committee reported bill also fails to provide any funding for other capital needs outside the Northeast Corridor, including legally required inspections and maintenance on equipment and tracks, infrastructure outside the Northeast and necessary Americans with Disabilities Act accessibility projects.

If national passenger rail ceases to operate, it will be a tragedy caused by this Administration. The Amtrak board consists solely of Bush appointees. The so-called reform proposals that would obliterate the current system are all being pushed by President Bush's Department of Transportation. The inadequate funding provided by this bill will be the final nail in Amtrak's coffin.

Housing Programs Will Be Severely Impacted

The Committee bill shortchanges many important housing and community development activities. To say that the Committee has placed a high priority on funding for our communities and for housing low-and moderate-income persons would be highly misleading.

In what amounts to house cleaning, the Chairman chose to "clear out the underbrush" at HUD by eliminating or transferring several smaller programs. The Section 107 programs were transferred and merged with the activities under Policy Development and Research. Many other programs are zeroed out by the subcommittee including: Brownfields, Empowerment Zones, section 108 loan guarantees, and La Raza activities. All of these programs have contributed to the improvement of our communities.

Another program zeroed out in the Chairman's mark deserves special mention: Youthbuild. YouthBuild provides a valuable service by building or rehabilitating housing for homeless or low-income people in their own communities while helping young people complete their education.

The President proposed that Youthbuild be transferred to the Department of Labor, but he has not presented to Congress legislation to carry this out. In the meantime, neither this Subcommittee, nor the Labor-HHS Subcommittee chose to fund the program. This very effective and worthwhile program was not funded simply because two subcommittee chairmen could not agree on jurisdiction and refused to take responsibility and pay for it.

While the Committee provided an increase above the President's request for public housing capital and operating funds, the amount for the public housing capital fund has decreased by more than 20 percent since fiscal year 2000 and the public housing operating fund has increased a mere four percent in that same time period. The demand remains high and the need is great. Currently there is a backlog of around \$20 billion in public housing capital funding needs and the operating fund needs continue to grow because of factors like the high costs of energy.

Additionally, funding for the Revitalization of Severely Distressed Public Housing – HOPE VI – has been eliminated by the Committee. HOPE VI transforms the nation's worst public housing into mixed-income urban communities. These grants serve as the critical seed capital to leverage additional public and private sector investment in distressed neighborhoods.

Finally, the two fair housing programs at the Department were cut in the President's request and agreed to by the subcommittee – despite the fact that more than 3.7 million fair housing violations still occur annually. Incredibly, despite HUD's advocacy and the fact that homeownership rates are at all-time high, the homeownership gap between white and blacks is worse now than in 1940.

Other Aspects of the Bill

Despite the Amtrak and housing problems identified above, the bill contains a number of items with which we strongly agree. The Subcommittee provided significant increases for surface transportation funding (excluding Amtrak) and aviation programs. Further investment in the transportation infrastructure is vital for the safety and well-being of all of our constituents.

The Federal Courts received a significant increase over the FY05 enacted levels. It is our hope that these funding levels can be sustained so that court personnel can remain at the current levels during fiscal year 2006.

The Chairman included language precluding the IRS from closing Taxpayer Assistance Centers until all the Committee's serious concerns about the proposal's impact on customer service are addressed. The Administration's plan to close 68 Taxpayer Assistance Centers seems to be an ill-conceived initiative driven by budget decisions rather than an exercise in good management and sound customer service.

The provisions that allow the District of Columbia to administer locally generated funds are an important step and we applaud the Chairman for this effort.

Within housing, the Chairman wisely rejected the President's proposal to transfer the Community Development Block Grant program to the Department of Commerce and instead kept the program at the Department of Housing and Urban Development. Unfortunately, the funding level for the CDBG formula grants is down by \$250 million or six percent from last year's level.

We are also pleased that the Subcommittee chose to include direction to the Department regarding the public housing negotiated rule on operating subsidies. HUD proceeded in publishing a rule that blatantly disregarded the negotiations that occurred between stakeholders and HUD. The subcommittee instructed the Department to use this original negotiated rule.

The Subcommittee also recognized that the "snapshot" funding formula used in fiscal year 2005 may have had an adverse impact on some agencies in the section 8 voucher program. The subcommittee is to be commended for their initial effort to correct some of those problems created in 2005 with a set-aside of \$45 million. We look forward to working with the majority as guidelines for distributing fiscal year 2006 section 8 funds are drafted during conference.

Among independent agencies, the National Historic Records and Preservation Commission grants program that is administered by the National Archives and Records Administration is funded at \$7.5 million. This program that is important to historians and researchers had been zeroed out in the Bush budget. The Chairman also recognized the importance of the Udall Foundation by properly funding the environmental mediation and trust fund accounts.

Conclusion

It is difficult to imagine this is the budget for which the American people voted. On the whole, the Chairman did the best he could given the circumstances. But the circumstances were wholly avoidable.

The President could have presented to the Congress a budget that was not riddled with gimmicks and new fees designed to hide the fact that his own fiscal policies are failing the nation. The Congress could have passed a sensible budget resolution that asked people making more than \$1 million this year to do with a slightly smaller tax cut so we could fund important national priorities. That did not happen. So we are left with a bill that will shut down Amtrak, cut Community Development Block Grants, and terminate several effective housing programs, including HOPE VI, Youthbuild and Brownfields.

We do not believe this is the budget for which the American people voted. Under the current leadership in the White House and the Congress, however, this is the budget the American people are going to get.